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5-410

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REMARKS:

*included in November*

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2 Dec. 1958**FLEXIBILITY OF SOVIET AID PROGRAM**

1. Soviet foreign economic policy toward specific underdeveloped countries of the Free World appears to be clear-cut. Consequently, when situations which the Soviet Union can exploit appear in these countries, the State Committee for Foreign Economic Relations is able to move into high gear on short notice. Generally speaking, the better the opportunity looks to the Soviet Union, the more rapidly it acts to offer aid and conclude an agreement with the Free World country concerned. In instances where the recipient of this aid has had strong ties with the United States, the Soviet reaction is especially swift. Egypt and Indonesia are prime examples of such speed. Approaches have also been made to Turkey and Iran, but the receptivity has been far less than the Soviet Union anticipated.

2. The Soviet Union has established what amount to field offices of the State Committee for Foreign Economic Assistance in Cairo and Kabul with considerable autonomy so far as implementation of the general aid agreements are concerned.

3. In the main the Soviet Union and its allied communist states furnish aid for whatever the underdeveloped country of the Free World requests without consideration of the advisability of the end-use from the point of view of the recipient. The Soviet Union and certain of its European satellites appear especially

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eager to furnish military equipment and supplies in the face of turn-downs or delays by the United States or allied Western powers. In a few notable instances -- Egypt, Syria, and Indonesia -- military aid agreements have been the precursors of substantial economic assistance.

4. Recent evidence points to increased use of the European Satellites as subcontractors under large Soviet economic credits to Egypt, Syria, and Indonesia. This appears to stem from the establishment in the Council for Economic Mutual Assistance of policies and procedures for close cooperation among members of the Soviet Bloc in pursuance of the foreign economic policies of the Soviet Union.

5. Repayment terms for Soviet aid loans border on the generous. Interest rates, reflecting internal rates in the Soviet Bloc, are low -- most frequently 2 to 3 percent; payments often can be made in soft currencies or commodities produced domestically; periods of 12 years and on occasion up to 20 years are established for amortization of the principal.